REPORT TO THE CONGRESS

Improvement Needed In The Administration Of The Program To Provide Medicare Benefits For Welfare Recipients B-164031(3)

Department of Health, Education, and Welfare

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on improvement needed in the administration of the program to provide Medicare benefits for welfare recipients

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S C. 53), and the Accounting and Auditing Act of 1950 (31 U S C 67)

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Health, Education, and Welfare

Elmer B. Staats

Comptroller General
of the United States

Contents

ABBREVIATIONS

GAO General Accounting Office

HEW Department of Health, Education, and Welfare

SRS Social and Rehabilitation Service

SSA Social Security Administration

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

IMPROVEMENT NEEDED IN THE ADMINISTRATION OF THE PROGRAM TO PROVIDE MEDICARE BENEFITS FOR WELFARE RECIPIENTS

Department of Health, Education, and Welfare B-164031(3)

D I G E S T

WHY THE REVIEW WAS MADE

GAO reviewed the management of the enrollment of welfare recipients in the Medicare supplementary insurance program in six States, because a preliminary survey in one region had shown that problems had gone unresolved for an inordinate time and that one State was obtaining Federal participation in premiums which should have been paid entirely by the State

Background

Enrolling welfare recipients in the Medicare supplementary insurance program is referred to as the buy-in program Management of this program requires the coordinated efforts of the Social Security Administration (SSA), which administers Medicare, the Social and Rehabilitation Service (SRS), which administers Medicaid, and State and local health and welfare agencies.

Section 1843 of the Social Security Act provides that States may enroll eligible welfare recipients in Medicare's supplementary benefits program. Guam, the Virgin Islands, the District of Columbia, and 47 States took advantage of this provision and initiated action to enroll their eligible recipients. The Federal Government pays its share of premiums through Medicaid, but these payments are limited to premiums paid for persons receiving cash assistance.

Local welfare offices are responsible for submitting accurate lists of eligible enrollees and their eligibility dates to the States and for timely reporting changes that affect eligibility States then process the data and forward it to SSA These actions are necessary for proper operation of the buy-in program.

FINDINGS AND CONCLUSIONS

As of December 1971 about 2 million persons were enrolled through the buy-in program for the supplementary benefits of Medicare. In 1971 States paid premiums of about $134 million on behalf on these persons.

Since 1966 the program has experienced major administrative problems As a result

--Not all eligible welfare recipients were enrolled, because local welfare offices had not obtained necessary information to enroll them or because identification data was not correct or complete. (See pp 9 to 12.)

--Two States received about $2.9 million in overpayments for premiums that should have been paid entirely by the States, because the States' procedures did not adequately identify premiums paid for persons not receiving cash assistance (See pp 12 to 15.)

--Substantial amounts of premiums were lost to the Federal Supplementary Medical Insurance Trust Fund, because SSA made refunds to States for premiums paid for persons several months after they became ineligible for the buy-in program. Thus, while medical bills were paid from the trust fund, neither the States nor the beneficiaries were paying the related premiums SSA, on August 31, 1972, issued regulations designed to help alleviate this problem. (See pp. 18 to 20)

Closer coordination between State and Federal agencies will be necessary to implement procedures and controls to insure that recipients are identified and enrolled within a reasonable time and to insure that Federal funds are accurately claimed.

RECOMMENDATIONS

The Secretary of the Department of Health, Education, and Welfare should instruct SSA to require that States reconcile their lists of eligible persons with their lists of enrollees and institute appropriate procedures to periodically insure that all eligible persons are enrolled.

To insure that Federal funds are claimed in accordance with the act, the Secretary should instruct SRS to

--establish procedures to assist States in identifying and claiming funds for premiums paid for persons receiving cash assistance and

--determine whether other States have claimed Federal funds for premiums paid for persons not receiving cash assistance and make adjustments when appropriate.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of Health, Education, and Welfare has stated that:

--It will reemphasize to the States the importance of periodic reconciliation as a means of identifying eligible persons and the urgency of timely enrolling all eligible persons.

--As a part of the Medicaid Management Information System, procedures will be developed to assist States in identifying and claiming Federal funds paid only on behalf of persons receiving cash assistance.

--Reviews have been or will be made to determine whether any of the 29 States which have included persons not receiving cash assistance in their buy-in programs are improperly claiming Federal participation.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is sending this report to the Congress because of its continuing interest in efficient and economical administration of Federal programs and because some of the provisions which have created management problems in the buy-in program are included in some of the national health insurance proposals. Solving these problems will help in efficiently administering the existing programs and any national health insurance program the Congress might enact.

CHAPTER 1

INTRODUCTION

The Social Security Amendments of 1965 established Medicare and Medicaid. Medicare is a federally defined uniform package of medical care benefits for most persons aged 65 and over. Medicaid, with certain limitations, allows each State to define the health care benefits to be provided to the financially and medically needy regardless of age. The legislation which established these programs provided that States could enroll eligible Medicaid recipients for certain Medicare benefits. This report concerns the administration of this provision, commonly called the buy-in program.

MEDICARE

Medicare, administered by the Social Security Administration (SSA), Department of Health, Education, and Welfare (HEW), provides two forms of health care insurance. One form covers primarily inpatient hospital services, financed by a designated portion of the social security tax. The other covers supplementary benefits, such as physician services and a number of other medical and health benefits, and is available to persons aged 65 and over. Persons covered must pay premiums which are matched by Federal funds and deposited into the Federal Supplementary Medical Insurance Trust Fund. Payments for supplementary benefits provided to Medicare beneficiaries are made from this fund. Since the program was initiated in 1966, monthly premiums have increased from $3.00 to $5.80.

The beneficiary pays the first $50 (the deductible) for covered medical services each year and 20 percent of allowable charges in excess of $50 (coinsurance). The remaining 80 percent of the allowable charges is paid from the trust fund.

As of December 1971 about 19.6 million people were enrolled under Medicare's supplementary benefits. Those enrolled during 1971 paid premiums of about $1.3 billion which were matched with Federal funds.

MEDICAID

Medicaid--a Federal-State program--is administered at the Federal level by HEW's Social and Rehabilitation Service (SRS), but primary responsibility for its operation is at the State level.

Medicaid authorizes health care coverage for persons entitled to public assistance under the Social Security Act.[1] In addition, the States can include other persons whose incomes or other financial resources exceed State standards to qualify for public assistance but which are not enough to pay for necessary medical care.

At the time of our review, State Medicaid programs were required to provide inpatient and outpatient hospital services, laboratory and X-ray services, skilled nursing home services, home health services, early and periodic screening, diagnosis, and treatment of those under age 21, and physician services. Effective October 30, 1972, family planning services were also required to be provided. A State may also provide additional items, such as dental services and prescription drugs.

The Federal Government, depending upon a State's per capita income, pays from 50 to 83 percent of the medical costs incurred by a State under its Medicaid program.

BUY-IN PROGRAM

According to section 1843 of the Social Security Act, as amended, States which entered into agreements with HEW prior to January 1, 1970, may enroll eligible persons aged 65 and over for Medicare's supplementary benefits HEW signed agreements, as provided for in the act, with 47

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[1]Title I, old-age assistance, part A of title IV, aid to families with dependent children; title X, aid to the blind, title XIV, aid to the permanently and totally disabled, and title XVI, optional combined plan for other titles.

States, Guam, the Virgin Islands, and the District of Columbia to enroll eligible persons [1]

The Federal Government pays its share of premiums through Medicaid, but these payments are limited to premiums paid by States for persons receiving cash assistance. Federal participation is also available under Medicaid for the deductible and coinsurance paid by the States on behalf of needy persons. If an eligible person is not enrolled, the State has to pay, without Federal participation, the medical expenses that would have been covered by the Medicare supplementary benefits program

As of December 1971 about 2 million persons were enrolled in the buy-in program. In 1971 States paid about $134 million in premiums for these persons.

Effective administration of the buy-in program requires the coordinated efforts of SSA, SRS, and State and local agencies. The Bureau of Health Insurance, SSA, establishes policy, prescribes standards, and develops operating guidelines for the buy-in program It also coordinates program administration at the Federal, State, and local levels and trains State and local personnel. SSA district offices help the States obtain information necessary to identify eligible persons The States identify eligible persons, submit lists to SSA of persons becoming eligible or ineligible, and pay premiums.

Local welfare offices[2] are responsible for reporting eligible enrollees and their eligibility dates to the State

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[1]Persons (1) receiving cash payments under titles I and XVI, (2) receiving cash payments under titles I, part A of IV, X, XIV, and XVI, or (3) who are eligible to receive medical assistance under Medicaid.

[2]Some States administer the welfare and/or Medicaid programs through local State offices. In other States, local governments administer the programs under State supervision. The term "local welfare offices" as used in this report describes both types of administration.

and for timely reporting changes that affect eligibility. Data required for enrollment in the buy-in program includes name, sex, date of birth, date of eligibility, and Social Security claim number. The Social Security claim number is used to identify an individual's premium account and health benefits utilization records and may be different from his Social Security account number.

Caseworkers at the local welfare offices obtain this information when they determine an individual's eligibility for public assistance. The local welfare office forwards the data to the State, which processes it and forwards it to SSA as an enrollment in the buy-in program. The same processing is used for removing from the buy-in rolls persons no longer eligible for the program. Proper operation of the buy-in program depends upon the States' forwarding accurate enrollment and deletion data to SSA on a timely basis.

The Bureau of Data Processing, SSA, maintains records on all persons covered under the buy-in program and bills the States for premiums.

SRS is responsible for insuring that the States maintain the necessary records to support their claims under Medicaid for buy-in premium costs.

SCOPE OF REVIEW

We made our review to determine what actions HEW was taking to resolve problems experienced since the buy-in program was initiated in 1966 and to identify problems which the Congress should consider in its deliberations on legislation regarding national health insurance. We

- examined HEW's policies and procedures for administering the program,
- reviewed States' practices for enrolling and removing persons from the program, and
- tested methods of claiming Federal participation in premium costs.

We conducted our review in six States--California, Kansas, Missouri, New York, Oklahoma, and Pennsylvania--in five HEW regions. These States pay about 34 percent of total buy-in premiums. We also sent questionnaires to 18 other States and requested information on the operation of their buy-in programs, including a discussion of any problems they have encountered.

CHAPTER 2

ADMINISTRATIVE PROBLEMS IN THE BUY-IN PROGRAM

The buy-in program experienced major administrative problems since it was begun in 1966. Some of these problems had not been resolved and as a result

--Not all eligible Welfare recipients were enrolled, because local welfare offices had not obtained necessary information to enroll them or because identification data was not correct or complete.

--Two States received about $2.9 million in overpayments for premiums that should have been paid entirely by the States, because the States' procedures did not adequately identify premiums paid for persons not receiving cash assistance.

--Annual Federal participation in Medicaid costs increased about $166,000 in two other States, because persons in institutions who were not receiving cash assistance were paying their own premiums. This reduced the income the persons had available to pay their share of institutional costs and correspondingly increased the amounts the States paid to the institutions for care provided.

--Substantial amounts of premiums were lost to the Federal Supplementary Medical Insurance Trust Fund, because SSA made refunds to States for premiums paid for persons several months after they became ineligible for the buy-in program. Thus, while medical bills were paid from the trust fund, neither the States nor the beneficiaries were paying the related premiums. SSA, on August 31, 1972, issued regulations designed to help alleviate this problem.

These problems could have been reduced by (1) better coordination between SSA and SRS in administering the program and (2) better communication and guidance from SSA and SRS to the States as to the proper administration of the buy-in program.

IDENTIFYING AND ENROLLING ELIGIBLE PERSONS

Three of the six States had not enrolled all eligible persons and two had not enrolled persons for the correct periods.

Not all eligible persons enrolled

In New York, California, and Pennsylvania significant numbers of eligible persons had not been enrolled

--In New York City, 25,000 to 30,000 old-age assistance recipients eligible for buy-in were not enrolled. The State, SSA, and the local welfare offices were trying to obtain the necessary information to enroll them.

--In California, about 42,500 eligible persons were not enrolled. California officials informed us that their master file of eligible persons was not accurate and that they were planning to develop new eligibility files but that this might take about 2 years.

--In Pennsylvania, a comparison of the buy-in enrollment files with the cash assistance files showed that about 9,500 old-age assistance recipients were not enrolled. A further analysis of this data by the State disclosed that a number of these persons were actually enrolled but that, because the buy-in enrollment data did not match the cash assistance data on the computer, those persons showed up as not being enrolled. These records have been corrected by the State. In addition, information has been furnished by the State agency to the appropriate local welfare offices and actions were being taken to obtain the necessary data to enroll those eligible persons not enrolled.

According to these States' officials, these problems were caused, in part, by local welfare offices' not obtaining needed eligibility information.

Although New York, California, and Pennsylvania are taking action to reduce the number of persons not enrolled, they still must develop a system to insure that local welfare offices provide current and accurate data to enroll all eligible persons.

In response to our questionnaires, 13 other States said that local welfare offices were not furnishing accurate enrollment information to the State agencies. Therefore some enrollments were delayed or some eligible persons were not enrolled.

We tested whether some enrollees had previously been self-enrolled (paid their own premiums) and found that about 90 percent of them had been. The States eventually enrolled them, and the enrollment was usually retroactive to the initial eligibility date. SSA refunded the premiums to these persons.

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Officials in New York, California, and Pennsylvania acknowledged that many persons eligible for the buy-in program in their States were not enrolled. State officials said that action was either taken or being taken to enroll all eligible persons.

The Commissioner, New York Department of Social Services, commented that two concerted efforts have been made by the State to enroll eligible persons in the buy-in program. He stated that these projects were not completed, however, because SSA district offices claimed that they did not have the manpower to make the personal contacts necessary to develop a claim. The commissioner stated that at last processing about 22,300 persons had been identified as eligible for buy-in but had not been enrolled. He stated that, since that time, action had been taken to enroll about 13,600 of these persons and that the State was in the process of obtaining the necessary information to enroll the remaining 8,700 persons.

The Director, California Department of Health Care Services, stated that a reconciliation of State and county eligibility records has reduced the number of unenrolled persons eligible for buy-in from 42,500 to less than 20,000. In addition, the director stated that a new eligibility file system, which should be in full operation by December 31, 1973, will insure proper enrollment of all persons eligible for the buy-in program.

Incorrect buy-in transactions

In Missouri and Kansas, a significant number of the buy-in transactions[1] were incorrect, generally because the State agencies made errors in using data from local welfare offices.

In Missouri, the information used to initiate buy-in transactions was obtained from welfare eligibility documents that local welfare caseworkers prepare and forward to the State. From July through December 1970, Missouri processed about 16,000 buy-in transactions. We randomly sampled 372 cases and found that 111 had incorrect effective dates even though the State agency had information to initiate accurate buy-in transactions. The State agency, because it did not consider all pertinent eligibility information, was enrolling persons from 1 to 7 months late or was removing persons from the program from 1 to 3 months early or late. The Missouri State Welfare Director commented that, at the time our fieldwork was completed, action had been taken to correct these errors.

In Kansas, local offices forwarded copies of the documents certifying welfare eligibility to the State agency which initiates buy-in transactions. From July through December 1970, Kansas processed about 5,000 buy-in transactions. Our random sample of 350 cases showed 121 with incorrect effective dates. The causes for the errors follow.

--89 errors were caused by faulty computer instructions.

--16 errors were made when recipients transferred from one assistance program to another. These recipients were removed from the buy-in program but were not properly reenrolled. SSA instructions provide that persons transferred not be removed from the buy-in program.

--16 errors resulted from incorrect information on source documents submitted by the local offices and from clerical errors made by State agency personnel.

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[1]A buy-in transaction is the act of enrolling a person in or removing a person from the program.

The Kansas State Director of Social Welfare stated that computer instructions have been rewritten and are functioning properly and that programing changes have been made to properly reenroll persons transferring from one assistance program to another. Regarding errors resulting from incorrect information on source documents, the director stated that new instructions, designed to simplify and explain the buy-in procedures at the county level, were to be mailed to county welfare offices.

Kansas and Missouri State agency officials informed us that action would be taken to insure the accuracy of buy-in transactions.

Oklahoma, which has a State-administered welfare program, seemed to be properly administering its buy-in program. We reviewed 112 transactions and found no errors. A State official said that, when Oklahoma first started the buy-in program, it had problems in correctly identifying all eligible persons. To solve these problems the director of the State agency responsible for administering the buy-in program began (1) monitoring data submitted by local caseworkers to insure its correctness and (2) referring cases which did not include correct buy-in data back to the local offices or the SSA district office to obtain correct data. In addition, local caseworkers were trained as to the information needed for enrollment.

FEDERAL PARTICIPATION IN PREMIUM COSTS WHICH SHOULD HAVE BEEN PAID ENTIRELY BY STATES

Two States had received about $2.9 million in Federal funds for premium costs which should have been paid entirely by the States. They received these overpayments because they did not have adequate procedures to identify premiums they paid for persons not receiving cash assistance.

Under the Social Security Act, as amended, Federal participation in premium costs is limited to premiums paid for persons who receive cash assistance. Twenty-six States, Guam, the Virgin Islands, and the District of Columbia include in their buy-in programs persons not receiving cash assistance.

SRS, in advising States which premiums were eligible for Federal sharing, did not clearly define which persons could be considered cash assistance recipients. For

example, several States asked about individuals who were eligible for cash assistance but who were not receiving it because they were receiving care in institutions. In a July 1968 memorandum to an SSA regional official, an Assistant General Counsel for SSA stated that maintenance payments to an intermediate-care facility[1] for eligible recipients would qualify those persons as cash assistance recipients.

However, in December 1968, an SRS Assistant General Counsel, in a memorandum to the SSA Assistant General Counsel, stated that Federal participation would not be available for premiums paid for persons receiving care in institutions and not receiving cash assistance. SSA concurred in this opinion and notified its regional representatives of the change. Subsequently, SRS issued regulations which stated that Federal participation is available only for premiums paid for persons receiving cash assistance.

In August 1970 the HEW Audit Agency reported that Nebraska and Idaho had not identified premiums paid for persons not receiving cash assistance and had improperly claimed Federal funds of $128,000 and $75,000, respectively. In May 1971 the Audit Agency reported similar conditions in Tennessee, which had resulted in overpayments of $67,000.

Nebraska, Idaho, and Tennessee contended that the States had the right to Federal participation in premiums paid for persons who would be entitled to cash assistance under one of the federally supported welfare programs if they were not living in nursing homes. SRS denied Nebraska and Idaho's appeals and subsequently adjusted Federal payments to them for the amounts of the overpayments. SRS denied Tennessee's appeal, and as of August 31, 1972, was resolving the $67,000 overpayment.

California

For 1970 and 1971, California claimed and received Federal funds for premiums totaling about $2.7 million which

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[1]A facility meeting State and Federal standards to provide care to eligible persons not needing skilled nursing care but needing more intensive care than that provided in room and board facilities.

the State had paid for persons not receiving cash assistance. These claims were made because California had not established procedures to identify premiums paid for persons not receiving cash assistance.

In July 1971, we advised the Associate Regional Commissioner for Medical Services in SRS' San Francisco office of this and requested that she advise us of action taken to correct the problem and adjust the overpayment. SRS officials in Washington, D.C., later advised us that the improper claims would be corrected.

In June 1972, SRS requested the State to adjust its claims for future Federal payments by $3.2 million, SRS' estimate of the Federal share of improper premium claims for January 1, 1970, through June 30, 1972. SRS advised the State that final settlement of the overclaim would be made after an audit determined the exact amount. In addition, SRS advised the State that, beginning in fiscal year 1973, it is to claim Federal funds for only those premiums paid for persons receiving cash assistance. On July 27, 1972, California adjusted its claims for Federal funds by $3.2 million.

Kansas

Kansas relied on its computer processing system to identify premiums paid for persons not receiving cash assistance. However, computer instructions were faulty and we estimate that the State had improperly claimed Federal funds of about $170,000 since October 1967, when its program began, through April 1971. We discussed the claims with Kansas State welfare officials, and in May 1971 they made the necessary computer programing changes to prevent future erroneous claims. We also discussed this matter with the Associate Regional Commissioner for Medical Services in SRS' Kansas City office and requested that he advise us of any actions taken to recover the Federal funds. On July 5, 1972, he informed us that the State determined its improper premium claims to be $167,468 and planned to adjust its future claims for federal funds. On November 20, 1972, Kansas adjusted its claims for Federal funds by that amount.

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SRS plans to use the California situation to establish a procedure for its regional offices to follow in promptly resolving problems in SRS programs. This allows for corrective action to be taken prior to a formal audit.

SRS should also determine whether other States are making improper claims for premiums paid. Guam, the Virgin Islands, the District of Columbia, and 21 States, in addition to California, Kansas, Idaho, Nebraska, and Tennessee, include in their buy-in programs persons not receiving cash assistance. The amount of improper premium claims could be substantial; SRS estimated that during fiscal year 1973 these States would pay about $48 million in premiums for an average monthly enrollment of 675,000 persons.

INCREASED MEDICAID COSTS BECAUSE PERSONS NOT RECEIVING CASH ASSISTANCE WERE SELF-ENROLLED

Two States' Medicaid costs increased because persons in long-term-care institutions, who were not receiving cash assistance, were paying their own premiums. Payment of premiums by these persons reduced the incomes they had available to pay their share of institutional costs and correspondingly increased the amount the States paid to the institutions for care provided. Under Medicaid, the Federal Government shares in costs incurred by States for long-term care. As a result these two States had obtained Federal funds of about $166,000 that they would not have received had they enrolled these persons in their buy-in programs.

Missouri

Missouri includes only cash assistance recipients in its buy-in program. As of December 1970, about 2,500 persons 65 years old or older were on welfare and were residing in nursing homes and about 900 persons were in mental hospitals. These persons did not receive cash assistance because they had sufficient monthly incomes to pay for their personal needs and, generally, a portion of their medical costs.

These persons had to pay the institution any income exceeding that needed to meet their personal needs. Thus, increases in personal need items result in decreases in the amount the individual has available to pay to the institution. Under Medicaid, Missouri pays the institution the difference between the institution's monthly charge and the amount the individual paid. Because Missouri considered the monthly premiums paid by the persons as a personal need item, the State's payment to the institution was increased by the amount of the premium the individual paid.

If Missouri had included persons not receiving cash assistance in its buy-in program, the State would have been required to pay the premiums without Federal participation and these persons would have had more income to pay to the institution, thereby reducing Medicaid costs. We estimate that Missouri obtained about $128,000 in additional Federal funds annually--$94,000 through increased payments

to nursing homes and $34,000 through increased payments to mental hospitals--by not including these persons in the buy-in program.

The Missouri State Welfare Director said that in September 1972 about 28 percent of the persons in mental hospitals were not enrolled for supplementary medical insurance benefits. He said that, therefore, the increased Federal matching applicable to persons in mental hospitals would be about $24,000 annually.

The director said that, subsequent to our fieldwork in Missouri, the State instituted a standard medical deductible of $12 a month for all recipients, which includes supplementary medical insurance premiums paid by self-enrolled persons. He said that, even if the recipient did not pay his premium, the $12 would not be reduced and the State's payment to the nursing home would not be affected. Thus, to the extent that this new procedure is properly implemented by local welfare offices, there would no longer be increased Federal participation in State payments to nursing homes.

Pennsylvania

Pennsylvania also included only cash assistance recipients in its buy-in program. Pennsylvania had an average of about 1,200 persons 65 years old or older on welfare residing in long-term-care institutions who were not receiving cash assistance. Pennsylvania treats the premiums paid by such persons in the same manner as Missouri; therefore, Medicaid costs are similarly increased. On the basis of fiscal year 1969 data, we estimate that Pennsylvania has obtained additional Federal funds of about $38,000 annually.

After bringing this matter to State officials' attention, they informed us that obtaining additional Federal funds by considering the premium expense as a personal need item was not proper and that they planned to revise State regulations. Such revision would decrease the State's claim for Federal funds under Medicaid for institutionalized care.

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Seventeen other States limit their buy-in programs to persons receiving cash assistance. If these States treat the premium expense of persons who are not recipients of cash assistance who are residing in long-term-care institutions as a personal need item, they too are obtaining additional Medicaid funds for institutionalized care. Obtaining additional Federal funds in this manner creates a disparity between the States, because Federal sharing of premiums is not available to States which include in their buy-in programs persons not receiving cash assistance.

We discussed this disparity with HEW officials and were advised that the present regulations lack clarity and that HEW intended to (1) forward copies of this report to the States and (2) issue a program Information Memorandum advising the States that regulations allow them to include, in the personal needs allowance from incomes of needy individuals who are in nursing homes, a portion which is to be used to pay the Medicare buy-in (Part B) premium.

DELAYS IN DETERMINING WHEN STATES' PREMIUM LIABILITIES END HAVE CAUSED LOSSES TO THE TRUST FUND

Because SSA delayed in determining when to end the States' liabilities for premiums and in revising its regulations accordingly, the Federal Supplementary Medical Insurance Trust Fund lost significant amounts. The Social Security Act, as amended, provides that a person's eligibility under the buy-in program ends the last day of the month in which he is determined by the State to have become ineligible for cash assistance[1] or for medical assistance. The States must pay premiums for each month that a person is eligible for the program.

SSA, since the buy-in program began, has refunded to the States premiums which were paid after the enrollees became ineligible. Because of the time required by the local offices to obtain eligibility data and forward it to the States for processing, SSA was notified several months after a person became ineligible. SSA attempted to collect these premiums from the beneficiaries until November 1969. According to SSA officials, this practice was discontinued because requiring the beneficiaries to make payments from their limited resources would likely cause hardship.

[1] If the State includes only cash assistance recipients in its buy-in agreement, eligibility ends when the person stops receiving cash.

In addition, these officials informed us that many beneficiaries who wished to retain their insurance coverage lost it because they could not pay the accrued premiums Thus, while medical bills were paid from the trust fund, neither the States nor the beneficiaries were paying the premiums. During 1971 SSA refunded about $4.5 million in premiums which the States had paid for ineligible persons. In August 1972, SSA issued regulations designed to substantially reduce premium refunds beginning November 1972, however, premium refunds which were made for November 1969 to November 1972 on the former basis were substantial.

SSA attempts for resolution

In March 1969 the SSA Assistant General Counsel concluded that coverage under the buy-in program should not end until notice of ineligibility was received by SSA. Under this system, it would not be necessary to refund premiums to the State and the beneficiary would not begin paying premiums until the month after his buy-in coverage ended.

SSA requested SRS concurrence in the change, but the SRS Assistant General Counsel did not concur. In October 1969 SSA told the States that, in the future, beneficiaries would be responsible only for premiums beginning with the month after SSA was notified of their ineligibility for the buy-in program. However, SSA continued to refund premiums to the States.

After further attempts to obtain SRS agreement, SSA in April 1970 told the States that, beginning with August 1970, the States must pay premiums until the month SSA was notified of the person's ineligibility but that SRS was considering whether Federal participation would be available for premiums paid between termination of eligibility and notification. The States, protesting this change, said it was contrary to State laws, violated section 1843 of the Social Security Act, and was a most inequitable arrangement which would place a burden on them.

In August 1970 SSA told the States that the policy change would be delayed until approval of appropriate regulations. The proposed regulation was printed in the Federal Register in August 1970. State objections to the proposed regulation appear on page 20

Several States contended that the regulation would violate section 1843[1] of the Social Security Act and their agreements with the Secretary of HEW, because SSA is bound to refund premiums paid for all months of a person's ineligibility. Some State administrators reported that laws in their States prohibit paying premiums for any months during which a person is ineligible for State assistance.

SSA requires States to report ineligibility determinations by the 25th of the month to be effective that month. Since eligibility determinations are made throughout the month, normal processing delays make it impossible for States to process reports in time to avoid extra premiums. Several States therefore suggested that the period during which a State could report ineligibility without incurring liability for the premiums be extended 2 or 3 months.

Final resolution

In June 1971 SSA and SRS agreed that States should be allowed 2 months to report buy-in deletions and receive refunds. For transactions which are more than 2 months retroactive, SSA will limit premium refunds to 2 months. SSA also recognized its responsibility to collect premiums for each month that coverage was provided. The enrollee would be responsible for paying the 2 months of premiums refunded to the States.

In December 1971 we requested comments from SSA on its plans to implement the new policy. In February 1972 SSA advised us that the proposed change would be published within a month or two. In March 1972 the proposed policy change was published in the Federal Register, and on August 31, 1972, SSA issued the final regulation. This regulation--applicable to buy-in deletions received by SSA beginning November 1972--should help reduce further premium losses to the Federal Supplementary Medical Insurance Trust Fund.

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[1]Section 1843 defines when an individual's coverage begins and ends.

CHAPTER 3

PROGRAM PROBLEMS AND THEIR RELATIONSHIP TO NATIONAL HEALTH INSURANCE PROPOSALS

National health insurance is designed to insure that quality health care is available at reasonable cost by establishing a national system of financing, planning, and control. The common goal of national health insurance proposals before the Congress is to help all Americans receive needed health care.

The proposals incorporate some of the provisions of the buy-in program--identification and enrollment of eligible persons, payment of premiums by third parties or individuals, and Federal reimbursement of certain premium costs. Some proposals would continue the present Medicare program, including the buy-in provision, and Medicaid for the aged, blind, and disabled.

The timely identification and enrollment of all eligible persons, the identification of premiums eligible for Federal matching, and closer coordination between Federal agencies would help alleviate some of the buy-in program's problems. Solving these problems could make the administration of new health insurance programs more efficient, if the Congress passes such legislation.

CHAPTER 4

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

The multiagency involvement in the buy-in program requires a coordinated and cooperative effort at all levels of administration if the program is to operate efficiently and economically. Although the buy-in program is small in relation to other welfare programs, the problems are significant.

Since 1966 the program has experienced major administrative problems some of which have not been resolved. These problems could have been reduced, if there had been (1) better coordination between SSA and SRS in administering the program and (2) better communication and guidance from SSA and SRS to State agencies as to the proper administration of the buy-in program.

Before the program can be operated efficiently and economically, SSA, SRS, and the States must establish procedures to insure that persons are enrolled in the program as they become eligible. Also, SRS must insure itself that Federal funds are properly claimed for premium costs, including evaluating the equitability to the States of Federal sharing of premium costs through the Medicaid program for persons not covered under States' buy-in programs.

Some of the national health insurance proposals incorporate some of the buy-in program's provisions. Therefore, solving these problems could help in efficiently administering any new health insurance program enacted by the Congress.

RECOMMENDATIONS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

To minimize the problems in identifying and enrolling all persons eligible for the buy-in program, the Secretary should instruct SSA to require that States reconcile their lists of eligible persons with their lists of enrollees and institute appropriate procedures to periodically insure that all eligible persons are enrolled.

To insure that Federal participation in premiums complies with the act, the Secretary should instruct SRS to

--establish procedures to assist States in identifying and claiming funds for premiums paid only on behalf of persons receiving cash assistance and

--determine whether other States have claimed Federal funds for premiums paid on behalf of persons not receiving cash assistance and require adjustments when appropriate.

AGENCY COMMENTS

By letter dated April 11, 1973, HEW furnished us with its comments on our findings and recommendations. (See appendix I.) Comments from California, Kansas, Missouri, New York, Oklahoma, and Pennsylvania were also obtained and considered in the report where appropriate.

HEW concurred in our recommendation that SSA issue instructions requiring States to reconcile their lists of eligible persons with lists of persons enrolled. HEW stated that SSA will reemphasize to the States the importance of periodic reconciliations as a means of identifying eligible persons not yet enrolled in the buy-in program and the urgency of timely enrolling all eligible persons. In addition, HEW stated that SSA is looking into the feasibility of using the supplemental security income conversion rolls, which are being developed from the States' welfare payment lists, as a means of identifying persons eligible for enrollment in the buy-in program. HEW believes that, with some modifications, the conversion rolls may serve to pinpoint eligible persons not yet enrolled in the buy-in program.

HEW agreed with our recommendation that SRS establish procedures to assist States in identifying and claiming funds for premiums paid only on behalf of persons receiving cash assistance. These procedures are expected to be established as part of the Medicaid Management Information System. HEW stated that SRS has undertaken systems surveys and has reviewed with almost all States the advantages of improving the management of their Medicaid programs. HEW stated that SSA's

efforts to improve buy-in enrollment are expected to assist States in properly identifying and claiming funds for premiums paid only on behalf of persons receiving cash assistance.

HEW agreed with our recommendation that SRS determine whether other States have claimed Federal funds for premiums paid on behalf of persons not receiving cash assistance and make appropriate adjustments. Regarding the 29 States which include persons not receiving cash assistance in their buy-in programs, HEW stated that

--in 5 States the HEW Audit Agency has identified problems that are being corrected,

--4 additional States are scheduled for intensive review by HEW regional office financial management personnel, and

--SRS expects to complete desk or onsite reviews of all 29 States in fiscal year 1973 and take corrective action where warranted.

- - - -

While HEW concurred in our recommendations, it disagreed with our conclusions about the causes of the problems. HEW stated that the types of problems discussed in the report stem not so much from a lack of coordination and guidance at the Federal level but more from the characteristics inherent in a new and complex program whose day-to-day operations are carried out by large numbers of local offices in various States with differing methods of doing business.

We recognize that the multiagency involvement in the program makes the administration difficult and necessitates close coordination. We also agree that the problems cited may have been initially attributable to the newness of the program, however, we believe that HEW has had sufficient time to identify and resolve these problems during the 7 years that have elapsed since the inception of the program.

With respect to coordination, SSA and SRS did not initially coordinate their efforts in clarifying for the States which premiums were eligible for Federal participation. In one case, because SSA and SRS had differences of opinion as

to whether Federal participation was available in premiums paid on behalf of persons not receiving cash assistance, States were confused about the availability of Federal participation. In another case, because SRS delayed in providing its position to SSA on the availability of Federal participation in premiums paid after an individual's welfare eligibility ended, SSA could not effectively implement regulations designed to restrict premium refunds to States.

With respect to communication and guidance, several States were not sufficiently informed about the claiming of Federal funds for premiums paid on behalf of persons not receiving cash assistance. Lengthy delays in enrolling significant numbers of eligible persons due to insufficient data indicated a need for more effective communication to State and local agencies. Several States mentioned the lack of adequate communication and guidance from HEW as a factor contributing to the problems they had encountered with the program.

The actions taken or promised by HEW should (1) assist the States in eliminating problems in their buy-in programs and (2) insure that States are not obtaining Federal matching funds to which they are not entitled.

DEPARTMENT OF HEALTH EDUCATION AND WELFARE
WASHINGTON, D C 20201

OFFICE OF THE SECRETARY

APR 11 1973

Mr. John D. Heller
Associate Director
Manpower and Welfare Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Heller

The Secretary has asked that I respond to your letter of November 14, in which you asked for our comments on your draft report entitled "Improvement Needed in the Administration of the Program to Provide Medicare Benefits for Welfare Recipients." The Department's comments are enclosed.

We appreciate the opportunity to express our views prior to the issuance of the final report.

Sincerely yours,

James B. Cardwell
Assistant Secretary, Comptroller

Enclosure

IMPROVEMENTS NEEDED IN THE ADMINISTRATION OF THE PROGRAM TO PROVIDE MEDICARE BENEFITS FOR WELFARE RECIPIENTS (GAO DRAFT REPORT TO THE CONGRESS)

GAO reviewed the management of the State buy-in program in six States located in five HEW regions They also obtained information about the program by means of questionnaires from 18 other States In GAO's view, some major administrative problems still remain and as a result -

--welfare recipients were not enrolled for Medicare benefits through the buy-in program because local welfare offices had not obtained necessary information to enroll them or because identification data was not correct or complete,

--overpayments of about $2 9 million were made to two States for premiums that should have been paid entirely by the States, because States' procedures were not adequate for identifying premiums paid for persons not receiving cash assistance,

--annual Federal participation in Medicaid costs was increased by about $166,000 in two other States because persons in institutions who were not receiving cash assistance were paying their own premiums, thus reducing the income they had available to pay their share of institutional costs and correspondingly increasing the amounts the States paid to the institutions for care provided,

--substantial amounts of premiums were lost to the Supplementary Medical Insurance Trust Fund because SSA made refunds to States for premiums paid for persons several months after they became ineligible for the buy-in program Thus, while medical bills were paid from the trust fund, neither the States nor the beneficiaries were paying the related premiums SSA, on August 31, 1972, issued regulations designed to help alleviate this problem

GAO concluded that these problems could have been reduced had there been (1) better coordination between SSA and SRS in administering the program, and (2) better communication and guidance from SSA and SRS to State agencies as to the proper administration of the buy-in program

We do not believe that the problems cited in the report stemmed primarily from any shortcomings in SSA-SRS coordination or from a lack of guidance to State agencies At the inception of the buy-in program SSA began issuing a series of instructions--"State Buy-In Letters"--to explain operating policies and guidelines to State and local welfare organizations Later, much of the information in the "Letters" was incorporated into a "State Buy-In Handbook" which provides not only State and local employees, but HEW employees as well, with a ready source of data about program policies and operating guidelines To aid in the proper implementation of these policies and guidelines and to improve State and local employees' working knowledge of the program, SSA has made frequent visits to the

States and has held a series of training seminars and meetings In addition, a "State Buy-In Training Guide" has been developed which contains instructional material for the staffs of local welfare offices as well as SSA district offices

In short, we believe that the types of problems discussed in the report stem not so much from a lack of coordination and guidance at the Federal level, as from the characteristics inherent in a new and complex program whose day-to-day operations are carried out by large numbers of local offices in various States with differing methods of doing business

Our comments on the specific recommendations in the report are set forth below

> Recommendation That SSA issue instructions requiring States to reconcile their lists of eligible persons with their lists of persons enrolled in the buy-in program and institute appropriate procedures to periodically insure that all eligible persons are enrolled

We concur, in principle, in this recommendation

As the report indicates, the attempt by some States to enroll all eligible persons in the buy-in program has proven to be an extremely difficult task. Although responsibility for the enrollment function rests at the State level, the job of obtaining the necessary information about each enrollee is usually left to county and other local welfare offices Because these local offices and their caseworkers are usually heavily burdened with the processing of regular welfare cases, a State is sometimes reluctant to press them to obtain additional information about individuals who may be eligible under the buy-in program

Since the inception of the program SSA has been concerned about the problems faced by both the State and local offices in obtaining, on a timely basis, the information necessary to enroll all eligible persons In 1967 we prepared for each State a listing of the individuals on its buy-in account, the amounts paid, and the period covered We asked the States to use these SSA records to reconcile against their lists of eligible persons For one reason or another some States did not or could not complete these reconciliations Later, we notified the States that SSA would make available to them complete recapitulations of buy-in actions which could be reconciled with their lists of eligible persons to aid in identifying persons not yet enrolled A number of States have since requested this data

We are now looking into the feasibility of using the supplemental security income (SSI) conversion rolls as a means of identifying persons eligible for enrollment in the buy-in program These rolls are being developed from the States' welfare payment listings in a form suitable for use in the new SSI program It now appears that, with some modifications, the

conversion rolls may serve to pinpoint eligible persons not yet enrolled in the buy-in program

Meanwhile, in line with GAO's recommendation, SSA will re-emphasize to the States the importance of periodic reconciliations as a means of identifying eligible persons not yet enrolled in the buy-in program, and of the urgency of timely enrolling all eligible persons

> Recommendation That SRS establish procedures to assist States in identifying and claiming funds for premiums paid only on behalf of persons receiving cash assistance, and determine whether other States have claimed Federal funds for premiums paid on behalf of persons not receiving cash assistance and require that adjustments be made where appropriate

We concur in this recommendation The Social and Rehabilitation Service (SRS) of this Department has, in fact, already undertaken systems surveys and reviewed with almost all States the advantages of improving their Medicaid management, including the specific area covered by this recommendation Further, SRS has also provided the States with the information necessary to adapt or adopt to their own use a Medicaid Management Information System -- use of this or a comparable system would meet the GAO recommendation Efforts by the Social Security Agency of this Department to improve buy-in enrollment activities -- discussed previously -- should also aid in meeting the objectives of this recommendation

We have also been taking corrective action on the second part of this recommendation over recent months In five of the 29 jurisdictions which buy in for the medically needy and thus could be erroneously claiming Federal funds, the HEW Audit Agency has identified problems that are being corrected In addition, at least four other States are scheduled for intensive reviews in this area by regional office financial management personnel SRS expects to complete desk or on-site reviews in FY 1973 of all 29 jurisdictions in which this situation could be a problem and to take corrective action as needed

GAO note: Comments were also received pertaining to one other recommendation discussed in the draft report but omitted from the final report.

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE RESPONSIBLE FOR THE MATTERS DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF HEALTH, EDUCATION, AND WELFARE		
Caspar W. Weinberger	Feb. 1973	Present
Frank C. Carlucci (acting)	Jan. 1973	Feb 1973
Elliot L. Richardson	June 1970	Jan 1973
Robert H. Finch	Jan. 1969	June 1970
Wilbur J. Cohen	Mar. 1968	Jan 1969
John W. Gardner	Aug. 1965	Mar 1968
ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE		
James S. Dwight, Jr.	June 1973	Present
Francis D. DeGeorge (acting)	May 1973	June 1973
Philip J. Rutledge (acting)	Feb 1973	May 1973
John D. Twiname	Mar. 1970	Feb. 1973
Mary E. Switzer	Aug. 1967	Mar 1970
COMMISSIONER, MEDICAL SERVICES ADMINISTRATION		
Howard N. Newman	Feb. 1970	Present
Thomas Laughlin, Jr. (acting)	Sept. 1969	Feb 1970
Dr. Francis L. Land	Nov. 1966	Sept. 1969
COMMISSIONER OF SOCIAL SECURITY		
Arthur E. Hess (acting)	Mar. 1973	Present
Robert M. Ball	Apr. 1962	Mar. 1973
DIRECTOR, BUREAU OF HEALTH INSURANCE·		
Thomas M. Tierney	Apr. 1967	Present
Arthur E. Hess	July 1965	Apr. 1967

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